

The interface between the EU and Chinese Economies

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The current economic crisis: a turning point in EU-China economic relations?

China's ascendance:

- 2009: China invested 50% more in Europe than in Northern America
- 2010: China became the world largest exporter in the world (true?) (~5% of world services X and 11% of goods X) (compared with 17% for EU total X)
- By 2010, China had emerged as far the biggest creditor in the world

Questions (related to the meaning of the word 'crisis' - *wei ji*):

- To what extent is China reshaping the economic and monetary international order? Is China proposing a new economic international architecture?
- What about the EU-China axis?

Challenges: Vulnerability inherent to the Chinese model (economic, social, environmental); the crisis tends to nurture protectionist trends

1. Opportunities provided by the crisis (to China)

- Volvo (S) sold by Ford to Chinese Geely (2010)
- Chinese public firm Cosco controlling a large share of the Piraeus Port (GR)
- Tender for construction of Warsaw Lodz motorway (German firm accusing Beijing of 'subsidised dumping' 2010)
- Industrial Park in Chateauroux (F); China investment Corporation owns a 30% stake in GDF-Suez (Aug. 2011)
- Large infrastructural investments in Bulgaria
- Athlone commercial hub project in IRL?
- ➔ Penetration through the 'distressed' periphery?

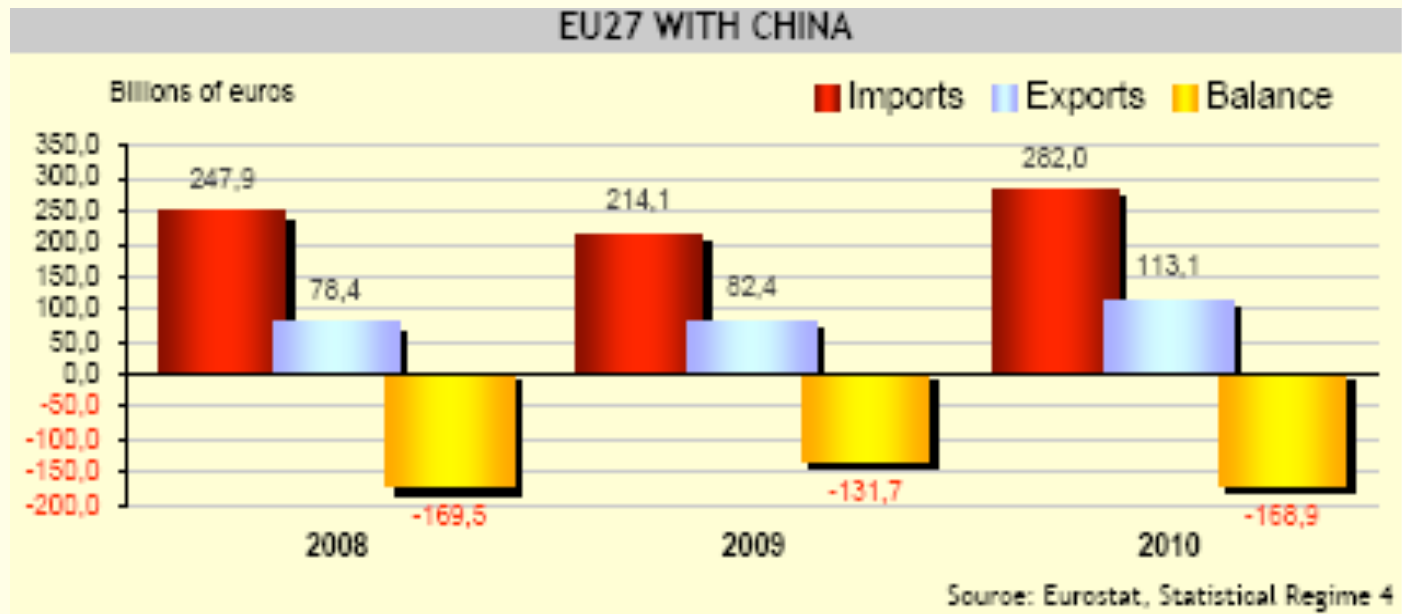
2. Trade Analysis

Major trade partners of the EU-27 (2010)

Rk	Partners	Mio euro	%
	Extra EU27	2.850.636,3	100,0%
1	United States	411.562,5	14,4%
2	China	395.128,8	13,9%
3	Russia	244.893,7	8,6%
4	Switzerland	189.559,5	6,6%
5	Norway	121.039,5	4,2%
6	Japan	108.628,2	3,8%
7	Turkey	103.277,7	3,6%
8	India	67.946,1	2,4%
9	South Korea	66.636,4	2,3%
10	Brazil	63.603,3	2,2%

Source: EUROSTAT, (Comext, Statistical regime 4) DG
Trade

Trade in goods (EU27 – China)



Source: EC, DG Trade Statistics, 8th June 2011.

2010 Bilateral Trade figures

European Union, Imports from... China

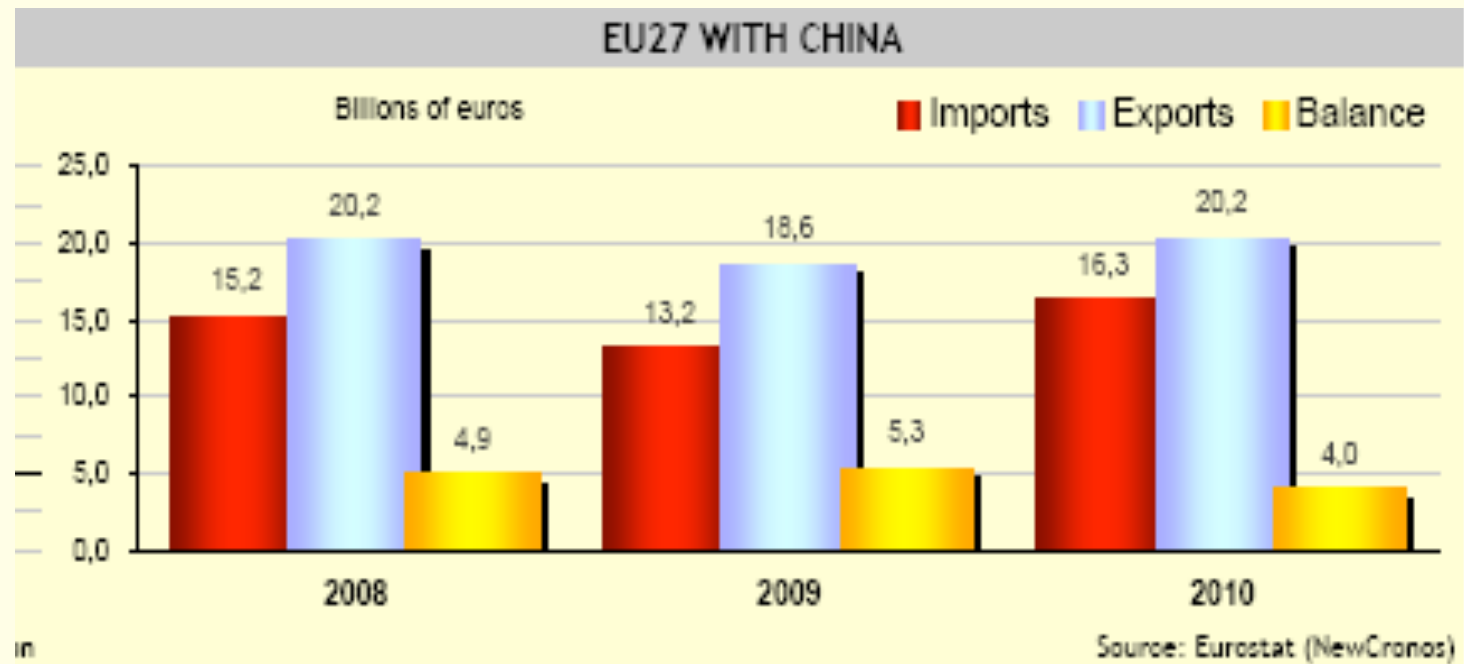
SITC Codes	SITC Sections	Value (Millions of euro)	Share of Total (%)	Share of total EU Imports
TOTAL		282.011	100,0%	18,8%
SITC 7	Machinery and transport equipment	145.045	51,4%	32,7%
SITC 8	Miscellaneous manufactured articles	85.099	30,2%	41,9%
SITC 6	Manufactured goods classified chiefly by material	32.712	11,6%	20,8%
SITC 5	Chemicals and related prod. n.e.s.	10.962	3,9%	8,0%
SITC 0	Food and live animals	3.839	1,4%	5,2%
SITC 2	Crude materials, inedible, except fuels	2.652	0,9%	4,2%
SITC 9	Commodities and transactions n.o.e.	804	0,3%	2,9%
SITC 3	Mineral fuels, lubricants and related materials	303	0,1%	0,1%
SITC 1	Beverages and tobacco	152	0,1%	2,2%
SITC 4	Animal and vegetable oils, fats and waxes	34	0,0%	0,5%

2010 Bilateral Trade figures

European Union, Exports to... China

SITC Codes	SITC Sections	Value (millions of euro)	Share of Total (%)	Share of total EU Exports
TOTAL		113.118	100,0%	8,4%
SITC 7	Machinery and transport equipment	69.563	61,5%	12,1%
SITC 5	Chemicals and related prod. n.e.s.	12.680	11,2%	5,4%
SITC 6	Manufactured goods classified chiefly by material	10.909	9,6%	6,4%
SITC 2	Crude materials, inedible, except fuels	7.609	6,7%	21,8%
SITC 8	Miscellaneous manufactured articles	7.584	6,7%	5,4%
SITC 0	Food and live animals	1.422	1,3%	2,6%
SITC 9	Commodities and transactions n.o.e.	1.042	0,9%	2,7%
SITC 1	Beverages and tobacco	823	0,7%	3,8%
SITC 3	Mineral fuels, lubricants and related materials	742	0,7%	1,0%
SITC 4	Animal and vegetable oils, fats and waxes	83	0,1%	2,7%

2010 Bilateral Trade figures (Services, excl. Government Services)



Source: EC, DG Trade Statistics, 8th June 2011.

3. Other opportunities – financial investment

- Currency reserves of China estimated at more than 3tr US\$
- NB: 33% of the US debt is 'externalised'; of which 26.4% (US\$ 910 bn) is under Chinese control (8% of the total US Federal debt)
- In the EU: US\$ 819 bn of the EU sovereign debt is held by Chinese investors (2011)
- China detains 13% of the Italian sovereign debt (Il Sole 24 Ore – April 2011)

Chinese attitude towards EMU

- Increased Chinese investments in EU bonds markets: Chinese efforts towards the stability of the euro
- 1. Optimistic view: monetary disintegration in the EU would go against the interests of China (it would imply coming back to the US\$ as the unique international world-wide reference currency)
- 2. Machiavellian view: by becoming an increasingly important creditor (in the West) China aims at splitting the EU-US anti yuan front

4. Risks

- Large energy requirements ($D > S$); connected with environmental problems
- East-West divide (ethnic conflict – nationalism; rise of middle classes who support elements of democracy)
- Unemployment; growing inequality leading to social unrest
- High levels of indebtedness (at local GVT level); bubble in the making

(All the above may jeopardise the country's one party rule)

Soft power approach: China eager to brush up its international image

Pax sinica? (China as the 'saviour' of the West/EU)

Shared interests – complementarity (EU – China)